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State Department review completed

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30 March 1957



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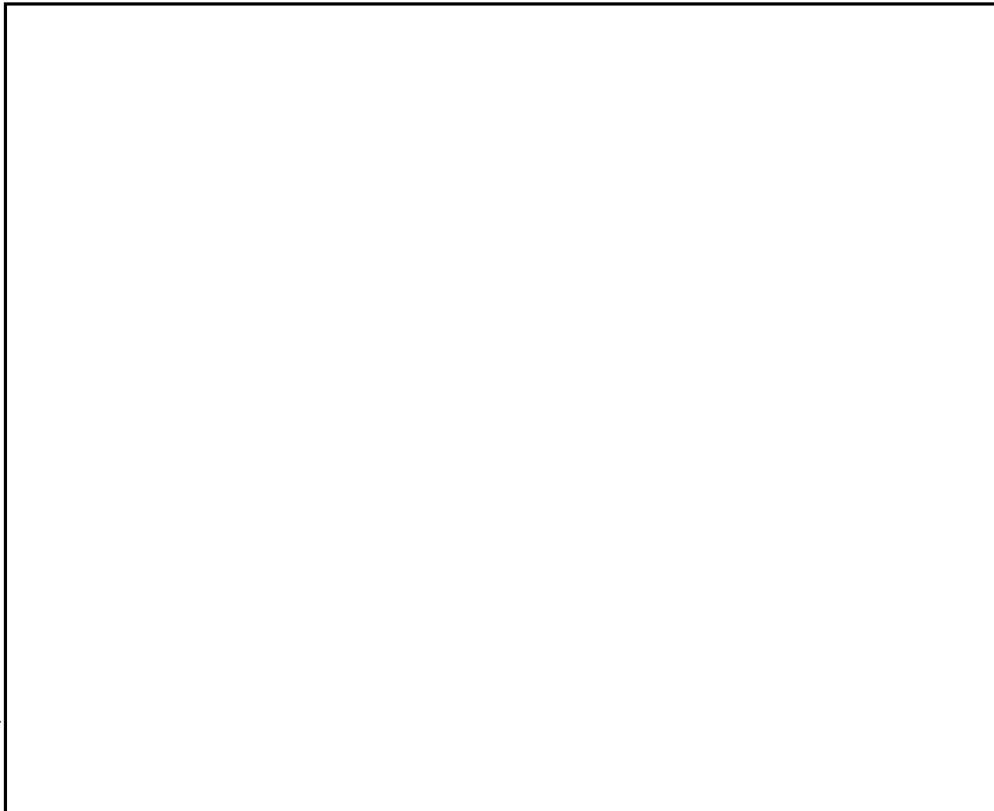
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**OFFICE OF CURRENT INTELLIGENCE**  
CENTRAL INTELLIGENCE AGENCY

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## 1. HAMMARSKJOLD REPORTS ON EGYPTIAN TALKS

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Secretary General Hammarskjold told Ambassador Lodge on 28 March he believes that, as a result of his talks with the Egyptian government, satisfactory arrangements between Egypt and the UNEF in the Gaza strip now exist. Hammarskjold said Egypt accepted a memorandum prepared by General Burns, the UNEF commander, which set forth the conditions which Burns feels are necessary if the UNEF is to prevent infiltration across the Israeli-Egyptian armistice line and maintain order inside the strip.

Egypt did not make deployment of UN forces on Israel's side of the line a condition to the continuation of the UNEF in Gaza, except that UNEF's right to shoot Egyptian infiltrators was conditional on a similar right to shoot Israelis. The Egyptians did definitely promise Hammarskjold that no Egyptian troops would move into Gaza, and he believes the Egyptians "very much want" to keep the UNEF there. Hammarskjold said he told the Egyptians that if fedayeen raids were renewed he would order the UN force to withdraw, and he regards this threat as giving him some leverage on Egypt's behavior.

The secretary general confirmed previous reports that the Egyptians have no intention of asking the UNEF to leave its positions at the entrance of the Gulf of Aqaba. He said Cairo is in fact "closing its eyes" to the Aqaba situation and reported that Egyptian foreign minister Fawzi avoided commenting on what Egypt's action would be if Israeli ships proceeded through the Tiran Straits.

Regarding Egypt's memorandum of 26 March on the Suez Canal, Hammarskjold said he had found the Egyptians

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very difficult to budge on any of its points. At his insistence, however, they had named the Bank of International Settlements-- which he considered as good as the IBRD--for the receipt of tolls and had agreed to consider the memorandum as only a draft pending comments from other governments. Hammar-skjold emphasized regarding the outcome of his talks that "nothing is agreed with me on Gaza or the Suez"; he intends to put the Egyptian promises on Gaza before the UN advisory committee on the use and functions of the UNEF.

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4. USSR REPORTEDLY TO CLOSE SEA OF OKHOTSK TO FOREIGN FISHING BY 1959

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[Redacted]

The USSR has informed Japan that by 1959 at the latest the Sea of Okhotsk will be permanently and entirely closed to all foreign fishing, but that the Japanese may be allowed to fish there in 1958, according to Ambassador Bohlen. This move, if carried out, will be the strongest ever made by the USSR in denying access to the open seas around Siberia.

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[Redacted] 25X1A Since World War II, the USSR has appeared secretive about the area from a security point of view, and permanent restrictions might be related to military activities or weapons testing in the area. Closure would lessen the possibility of any future return of the Southern Kurils to Japan. The Soviet Far East has become the most important fishing region in the USSR, and closure would pre-empt the area for rapidly expanding Soviet fishery activities. The 1956 catch in the Soviet Far East increased an estimated 57 percent over 1953 and current plans call for significant expansion of fishing fleets and shore facilities. The exclusion of Japanese fishermen would have a serious impact on the Japanese industry since even in a restricted season the area accounted for approximately 10 percent of the 1956 salmon catch.

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## 6. JAPAN TO SEEK ATOMIC POWER TREATY WITH USSR

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[Redacted]

The Japanese cabinet decided on 29 March to open negotiations for an atomic power treaty with the Soviet Union apparently as part of the government's program to draw upon a wide range of experience and material resources in developing Japan's atomic energy industry. Atomic Energy Commission chairman Uda's statement that Japan's action was based on the acute power shortage reflects the belief of Japanese industrialists that Japan is reaching the limit to which water and coal resources can be exploited and that economical nuclear power must be made available as soon as possible.

A Socialist Diet member who serves on the Joint Committee for Atomic Energy indicated, following a visit to the USSR during September and October 1956, that Moscow was willing to conclude a technical agreement with Japan on the peaceful uses of atomic energy. He said once the agreement was made the USSR would supply atomic reactors, atomic fuel and other necessary supplies on a purely commercial basis with no strings attached. A Foreign Ministry official subsequently expressed the belief that Japan would be offered an atomic agreement following the restoration of diplomatic relations with Moscow.

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**8. INDIA MAY APPROACH UNITED STATES FOR LOAN**

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Indian finance minister Krishnamachari told the American ambassador in New Delhi on 25 March that India intends to ask the United States whether this is a propitious time for conversations on the gravity of India's foreign exchange position. Indian foreign exchange reserves, which were scheduled to decline by \$420,000,000 during the five years of the plan, have already fallen by \$425,000,000 in the first year, and would have fallen even further had India not borrowed \$127,000,000 from the International Monetary Fund. Krishnamachari said he wants to go to Washington this year for "intimate discussions" of the matter with American officials.

India's Second Five-Year Plan (1956-61) originally had a \$1.68 billion gap which the government hoped to close by foreign assistance. This figure has since increased to about \$2.5 billion due to price rises and more realistic cost estimates for certain projects. India has thus far obtained about \$500,000,000 of this sum and expects to secure another \$500,000,000 from the International Bank for Reconstruction and Development and a continuation of US aid.

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**10. LAOS MAY EXCHANGE DIPLOMATIC MISSIONS  
WITH USSR**

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The belated announcement by the Laotian Foreign Ministry on 27 March that the USSR had recognized Laos--a step taken formally in October--once again raises the prospect that Laos may soon exchange diplomatic representatives although Prime Minister Souvanna Phouma on 28 March told the American ambassador that Soviet representatives would not be received for "two or three years." As a result of the Soviet repression in Hungary, the Laotian cabinet last November reversed a decision to exchange representatives with the USSR.

In any decision to develop closer contacts with the Soviet Union, Souvanna would probably be influenced by a desire to improve the climate of the deadlocked Pathet Lao negotiations by giving substance to his agreement last fall with the Pathets on a neutral foreign policy.

Prince Petsarath, in his first press interview since returning to Laos from exile, called for the opening of diplomatic relations with Communist China and North Vietnam. Laos took a step in this direction on 16 March when it signed an agreement with the Viet Minh on postal services and telecommunications. Full diplomatic relations with Hanoi and Peiping, however, will probably depend on a settlement of the Pathet Lao problem.

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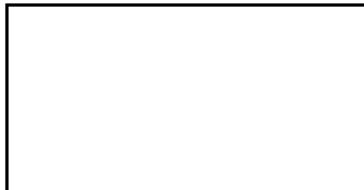
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**12. MASS RELOCATIONS REPORTED IN BULGARIA**

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Thousands of "former bourgeoisie" in Sofia are being arrested for deportation to the provinces, according to a 28 March report to the Greek Foreign Ministry from its legation in Sofia. The report states that while there have been many arrests since the events in Hungary last year, the current wave of arrests is on an unprecedented scale.

**Comment**

The regime may be attempting to avoid any trouble arising from unrest due to heavy unemployment and reductions in the bureaucracy. Recent speeches by Bulgarian leaders, however, have not revealed unusual concern with public discontent. Rumors of public demonstrations in January have not been confirmed.

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**13. TENSIONS SAID TO BE RELAXING IN POLAND**

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The exaggerated fears and pressures of the revolutionary period have receded,

the workers have ceased to expect miracles and are not under the illusion that conditions will change overnight.

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The food supply in towns has improved as a result of increased marketing by farmers who have left the collectives and are benefiting from the increased sales of their products. The improvement may also result from release of reserve food stocks.

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Comment

Relaxation of tensions would ease some of Gomulka's problems, but he still faces serious difficulties in imposing his control over the party in order to neutralize the ultraconservative Natolin faction, overcome the bitter disillusionment of the liberals, and enlist support of the uncommitted mass of government and party functionaries.

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